

THE SECURITIES ACT

Section 19(5)

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Order No. 5890

April 15, 2009

JOHN DAVID GRIFFITHS

WHEREAS:

(A) On June 7, 2007, The Manitoba Securities Commission ("Commission") issued a Notice of Hearing ("Notice") giving notice of its intention to hold a hearing to consider, inter alia, whether or not it was in the public interest to grant an order pursuant to subsection 19(5) of The Securities Act ("Act") with respect to John David Griffiths ("GRIFFITHS")

(B) Staff of the Commission and GRIFFITHS entered into a Settlement Agreement (a copy of which is attached as Schedule "A") dated April 9, 2009 ("Settlement Agreement") which proposed settlement of the proceedings initiated by the Notice, subject to the approval of the Commission.

(C) GRIFFITHS has consented to the issuance of this Order and has waived his right to a full hearing.

(D) On April 15, 2009, the Commission held a hearing ("Settlement Hearing") to consider whether or not to approve the Settlement Agreement.

(E) At the Settlement Hearing the Commission approved the Settlement Agreement and is of the opinion that it is in the public interest to make this Order.

IT IS ORDERED:

1. **THAT** the Settlement Agreement (Schedule "A") be and the same is hereby approved;
2. **THAT** pursuant to subsection 19(5) of the Act:
 - i) subsection 19(1) of the Act does not, with respect to such of the trades referred to in that subsection, apply to GRIFFITHS for a period of five years from April 15, 2009;

- ii) subsection 19(2) of the Act does not, with respect to such securities referred to in that subsection, apply to GRIFFITHS, for a period of 5 years from April 15, 2009.

BY ORDER OF THE COMMISSION


Director - Legal and Enforcement



SCHEDULE "A"

SETTLEMENT AGREEMENT

BETWEEN:

JOHN DAVID GRIFFITHS

AND

STAFF OF THE MANITOBA SECURITIES COMMISSION

**The Manitoba Securities Commission
500 – 400 St. Mary Avenue
Winnipeg, MB
R3C 4K5**

IN THE MATTER OF: THE SECURITIES ACT

-and-

IN THE MATTER OF: JOHN DAVID GRIFFITHS

SETTLEMENT AGREEMENT

A.1 By way of Notice of Hearing and Statement of Allegations (collectively the "Notice of Hearing") of Staff of The Manitoba Securities Commission ("Commission"), notice was given to John David Griffiths ("Griffiths") to consider:

1. whether or not it is in the public interest to order, pursuant to subsection 148.1(1) of *The Securities Act* (the "Act"), that Griffiths pay an administrative penalty;

2. whether or not it is in the public interest to order, pursuant to subsection 19(5) of the Act that subsection 19(1) of the Act does not apply to Griffiths with respect to such of the trades referred to in that subsection and that subsection 19(2) of the Act does not apply to Griffiths with respect to such of the securities referred to in that subsection;

3. whether or not pursuant to section 148.2 of the Act, that Griffiths be ordered to pay compensation for financial loss;
4. whether or not it is in the public interest to order that Griffiths pay the costs of the investigation and the hearing;

A.2 Discussions have been held amongst Griffiths and Staff of the Commission ("Staff") in an effort to settle all issues in connection with the matters set out in the Notice of Hearing (the "Proceedings") and this Agreement. A Settlement (the "Settlement") has been reached based on the terms and conditions set forth in this Agreement (the "Settlement Agreement").

A.3 Pursuant to the Settlement, Staff agrees to recommend to the Commission that the Proceedings initiated against Griffiths be resolved. Griffiths consents to the Settlement and to the making of the Consent Order referred to in paragraph D.1 below, on terms and conditions set forth in this Settlement Agreement.

B STATEMENT OF FACTS

B.1 Griffiths agrees with the facts set out in this Part B.

B.2 At all material times, Griffiths was registered as a salesperson under the Act with Portfolio Strategies Corporation ("Portfolio Strategies"). Griffiths is no longer registered in any capacity under the Act.

B.3 At all material times, Randy Reynolds (“Reynolds”) was registered under the Act as a Branch Manager and Officer (Trading) with Portfolio Strategies and was responsible for the supervision of Griffiths.

B.4 At all material times Portfolio Strategies was registered as a broker dealer restricted to the trading in mutual funds and labour sponsored funds as set out in its condition of registration under the Act.

B.5 In or about March 2001 Reynolds received an advertisement from Digital World Financial Inc. (“Digital World”) regarding securities it was offering to the public.

B.6 Reynolds followed up with Digital World and obtained binders containing information about Digital World and the securities it was offering. The information obtained included a Digital World sales terms and regulations document which provided, in part, that Digital World products are available in the form of notes and that Digital World is the express guarantor of all Notes at issue, debt notes of all types, Guaranteed Investment Certificates (“GIC”), promissory notes, debentures, conditional sales contracts, certificated securities and non-certificated securities.

B.7 Reynolds gave a Digital World binder to Griffiths and Griffiths understood he could sell Digital World GICs to clients. Reynolds told Griffiths to deal with Digital World directly.

B.8 Before any sales of Digital World securities took place, the principal of Digital World was contacted by Griffiths and Reynolds to determine whether the Digital World products were legitimate and fully guaranteed. Reynolds and Griffiths did not have any prior experience with Digital World or its principals.

B.9 In or about May 2001, Griffiths became the provincial sales agent for Digital World and was responsible for promoting Digital World and was to be paid commissions.

B.10 Griffiths did not advise Portfolio Strategies that he was intending to offer Digital World securities to clients.

B.11 Digital World securities were not securities permitted to be traded under the conditions of registration of Portfolio Strategies under the Act.

B.12 In or about June 2001, Griffiths contacted Ron Griffiths and Marilyn Griffiths to discuss purchasing a Digital World investment. Ron Griffiths and Marilyn Griffiths were originally going to purchase a Digital World GIC in the amount of \$50,000.

B.13 The \$50,000 Digital World GIC was to be for a one year term with an interest rate of 6.25% payable annually.

B.14 Griffiths provided no documentation about Digital World to Ron Griffiths and Marilyn Griffiths other than a Digital World Financial Inc. GIC order form.

B.15 On the advice of Griffiths, the \$50,000 invested by Ron Griffiths and Marilyn Griffiths was subsequently split into two Digital World investments, one being a note for \$25,000 for a one year term with an interest rate of 6.25% paid annually and the second investment being a note for a three year term with an interest rate of 7.15% paid annually.

B.16 The Digital World notes purchased by Ron Griffiths and Marilyn Griffiths were put in the name of Marilyn Griffiths.

B.17 In or about August 2002, the maturing one-year Digital World note was renewed for one more year on the advice of Griffiths.

B.18 In or about July 2003, the maturing Digital World note was renewed for a further two years on the advice of Griffiths.

B.19 In or about July, 2004 Marilyn Griffiths wanted to redeem her maturing Digital World note but was unable to do so due to Digital World having financial difficulties

B.20 Marilyn Griffiths has not received any interest payments or her principal amount invested from Digital World.

B.21 In or about August 2001, Griffiths contacted Bruce Griffiths and recommended he purchase a Digital World GIC. Bruce Griffiths agreed to invest the sum of \$50,000 with Digital World.

B.22 Griffiths provided no documentation about Digital World to Bruce Griffiths other than a Digital World Financial Inc. GIC order form.

B.23 Bruce Griffiths purchased a \$25,000 Digital World note for a one-year term with an interest rate of 6.25 % paid annually and a \$25,000 Digital World note for a three-year term with interest of 7.15% paid annually.

B.24 In or about August 2002, the maturing one-year Digital World note was renewed for two more years with an interest rate of 5.25% based on the advice of Griffiths.

B.25 Bruce Griffiths has not received any interest payments or his principal amount invested from Digital World.

B.26 In or about August 2001, Griffiths contacted Pearl Drulak and recommended she purchase a Digital World GIC. Pearl Drulak who is since deceased, agreed to purchase a Digital World GIC in the amount of \$84,191.03.

B.27 Pearl Drulak purchased a note issued by Digital World for \$84,191.03. The note was for a two year term with an interest rate of 6.75% payable annually.

B.28 Pearl Drulak's accountant contacted Griffiths in or about September 2003 indicating Pearl Drulak did not receive her 2002 or 2003 payment due from Digital World.

B.29 Neither Pearl Drulak or the estate of Pearl Drulak has received any interest payments or principal amount invested from Digital World.

B.30 Digital World securities are not guaranteed by the Government of Canada, a Government of any Province, or a Municipal corporation, a bank, trust company, loan company, credit union, or caisse populaire.

B.31 The Director of The Manitoba Securities Commission received claims for compensation for financial loss from Marilyn Griffiths, Bruce Griffiths and Pearl Drulak.

B.32 Griffiths has reached a resolution with Marilyn Griffiths, Bruce Griffiths and the estate of Pearl Drulak with respect to claims for financial loss filed with the

Director. A Notice of Discontinuance in respect of that portion of the proceedings requesting that Griffiths pay compensation for financial loss to Marilyn Griffiths, Bruce Griffiths and the estate of Pearl Drulak pursuant to subsection 148.2 of the Act will be filed by Staff.

C. ACKNOWLEDGEMENT BY GRIFFITHS

C.1 Griffiths acknowledges that he acted contrary to the public interest in that:

- a) He traded in securities other than those specifically authorized by his registration under the Act;

D. TERMS OF SETTLEMENT

D.1 Staff seek a consent order from the Commission consistent with the terms contained in Section D.2 of the Settlement Agreement pursuant to the provisions of the Act.

D.2 The Consent Order sought by Staff is as follows:

- a) That the Settlement Agreement be approved;

- b) Pursuant to subsection 19(5) of the Act:
- 1) Subsection 19(1) of the Act does not with respect to such of the trades referred to in this subsection, apply to Griffiths for a period of 5 years from the date of approval of this Settlement Agreement; and
 - 2) Subsection 19(2) of the Act does not, with respect to such securities referred to in that section, apply to Griffiths for a period of 5 years from the date of approval of this Settlement Agreement

E. PROCEDURE

- E.1 The approval of this Settlement Agreement shall be sought at a public hearing.
- E.2 If this Settlement Agreement is approved by the Commission, and if a Consent Order issues in accordance with this Settlement Agreement, this Settlement Agreement will constitute the entirety of the evidence to be submitted to the Commission in connection with the Proceedings and, upon the making of the order contemplated by this Settlement Agreement, Griffiths waives his right to a full hearing and appeal of this matter.

- E.3 Notwithstanding any other provision of this Settlement Agreement, if, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the Consent Order referred to in Section D above is not made by the Commission, Staff will be entitled to proceed with whatever steps it is entitled by law to take, including but not restricted to, the commencement of a hearing before the Commission, unaffected by this Settlement Agreement or the settlement discussions. In the event that such steps are taken, Griffiths shall have all of the usual rights of a person subject to such proceedings.
- E.4 If the Settlement Agreement is not approved or the Consent Order set out in Section D above is not made by the Commission, the terms of this Settlement Agreement shall remain confidential and shall not be raised in this or any other proceeding, and any admissions contained in this Settlement Agreement shall be considered as without prejudice communications and furtherance of settlement discussions which will not be binding upon the parties and which will be inadmissible in any proceeding whatsoever.
- E.5 If this Settlement Agreement is approved by the Commission and the Consent Order made upon the terms set out in this Settlement Agreement, this Settlement Agreement will be a public document.
- E.6 Griffiths agrees that, if this Settlement Agreement is approved by the Commission and the Consent Order is made upon the terms set out in this

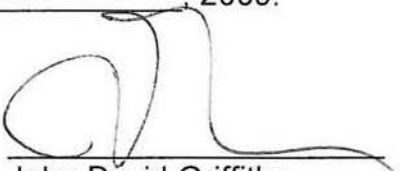
Settlement Agreement, Griffiths will not raise as a basis for attack on the Order this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement, alleged bias, alleged unfairness, or any such other challenges to the validity of the Consent Order.

E.7 Griffiths further agrees that if this Settlement Agreement is approved by the Commission and the Consent Order is made upon the terms set out in this Settlement Agreement, he will not make any statements inconsistent with the terms of this Agreement.

Dated at Winnipeg, Manitoba this 31 day of March, 2009.




Witness



John David Griffiths

Dated at Winnipeg, Manitoba this 9th day of April, 2009.

Staff of The Manitoba Securities Commission

Per: 

Douglas R. Brown